

Message Text

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PAGE 01 OTTAWA 04416 01 OF 02 252330Z

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TAGS: EFIN, EIND, ETEL, SCUL, CA

SUBJ: BILL C-58: COMMITTEE HEARINGS

REF: OTTAWA 4333

1. HOUSE OF COMMONS STANDING COMMITTEE ON BROADCASTING, FILMS AND ASSISTANCE TO THE ARTS BEGAN PUBLIC HEARINGS ON SCHEDULE NOVEMBER 21. TCO ATTENDED OPENING SESSION AT WHICH SECRETARY OF STATE FAULKNER AND REVENUE MINISTER CULLEN TESTIFIED, BUT FOR POLICY REASONS DID NOT ATTEND NOVEMBER 24 AND 25 SESSIONS AT WHICH TIME AND READER'S DIGEST EXECUTIVES APPEARED. PUBLISHED TRANSCRIPTS ARE NOT YET AVAILABLE. FOLLOWING MATERIAL CONSISTS OF EXCERPTS (LETTERS AT OPENING OF SUBPARAGRAPHS ADDED) FROM CP TICKER WHICH WAS REASONABLY ACCURATE RE NOV 21 SESSION.

2. NOVEMBER 21 SESSION: BEGIN QUOTE.

A. THE GOVERNMENT WILL INTRODUCE LEGISLATION TO OVERRIDE ANY COURT DECISION SUPPORTING TIME MAGAZINE IN ITS FLIGHT FOR SURVIVAL IN CANADA, REVENUE MINISTER BUD CULLEN SAID TODAY.

B. MR. CULLEN TOLD THE COMMONS BROADCASTING COMMITTEE THAT HE HAS FULL CABINET BACKING FOR A REVENUE DEPARTMENT

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PAGE 02 OTTAWA 04416 01 OF 02 252330Z

RULING THAT TIME AND OTHER FOREIGN PUBLICATIONS MUST BE

MORE THAN 80 PERCENT DIFFERENT IN CONTENT TO CONTINUE
QUALIFYING FOR CANADIAN TAX STATUS.

C. IF TIME CANADA LTD. APPEALS THE RULING TO THE SUPEREME
COURT OF CANADA AND WINS, THE GOVERNMENT WILL RESPOND WITH
LEGISLATION WHICH WILL EFFECTIVELY OVERRIDE THE APPEAL,
HE SAID.

D. BOTH MR. CULLEN AND SECRETARY OF STATE HUGH FAULKNER TOLD
THE COMMITTEE THAT THE 80-PERCENT CONTENT LEVEL WAS SET
TO PROTECT CANADIAN MAGAZINES FROM 'THE SERIOUS COMPETITIVE
DISADVANTAGE' WITH FOREIGN PUBLICATIONS FOR EDITORIAL
MATERIAL.

E. MR. FAULKNER SAID THE CONTENT RULE WILL PROTECT
CANADIAN EDITORIAL CONTROL OF MAGAZINES, NOT LIMIT IT.
'IT IS THE OPPOSITE OF CENSORSHIP,' HE SAID. ...
MR. CULLEN SAID HE WAS CONFIDENT THAT THE DEPARTMENT'S
INTERPRETATION OF 'NOT SUBSTANTIALLY THE SAME' AS AN
80 PERCENT CONTENT DIFFERENCE WILL STAND UP TO ANY
COURT CHALLENGE. BUT IF IT DOES NOT, HE TOLD GORDON
FAIRWEATHER (PC-FUNDY ROYAL), LEGISLATION WILL BE
INTRODUCED TO MAKE THE LEVEL FIRM AND UNMISTAKEABLE.

F. 'I AM SATISFIED WE CAN WIN ANY CHALLENGE IN COURT,'
MR. CULLEN SAID, 'BUT IF WE LOST I HAVE FULL CABINET
BACKING TO AMEND THE BILL.'

G. MR. FAULKNER SAID IF THE GOVERNMENT HAD AGREED TO A
60-PERCENT DIFFERENT CONTENT LEVEL 'IT WOULD NOT BE
LONG BEFORE MAGAZINES PRODUCING ALL ORIGINAL MATERIAL
WOULD BE AT A SERIOUS COMPETITIVE DISADVANTAGE.'

H. THE CANADIAN-OWNED CHATELAINE MAGAZINE WOULD HAVE TO
BUY MATERIAL FROM THE U.S.-OWNED MCCALLS 'OR SOMEONE
ELSE WOULD PUT THEM OUT OF BUSINESS.'

I. 'SO, AFTER A WHILE, EXCEPT FOR A FEW SPECIALTY
MAGAZINES, THE CANADIAN MARKET WOULD IN REALITY BE A 60 PER-
CENT CANADIAN MARKET,' HE SAID. 'WE WOULD SEE CANADIAN
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 OTTAWA 04416 01 OF 02 252330Z

MAGAZINES IN BIDDING WARS WITH EACH OTHER FOR THE
RIGHTS TO CERTAIN FOREIGN MATERIAL.'

J. MR. FAULKNER SAID THE GOVERNMENT DECIDED TO ELIMINATE
THE UNCERTAINTY CREATED BY PREVIOUS CONTENT INTER-
PRETATIONS WHICH LEFT A 'GREY AREA' FOR MAGAZINES IN
THE 60-TO-80-PERCENT DIFFERENT CONTENT RANGE.

K. THE 80-PERCENT LEVEL WAS SET 'TO ENSURE THAT CANADIAN MAGAZINES COULD HAVE A REAL CHANCE AND ALSO ENSURE THAT THERE IS NO POSSIBILITY OF THE INDUSTRY BEING CONTROLLED BY FOREIGN SUPPLIERS OF EDITORIAL MATERIAL.'

L. HE AND MR. CULLEN SAID MAGAZINES STILL WILL BE ABLE TO OBTAIN UP TO 20 PERCENT OF THEIR EDITORIAL MATERIAL FROM A SINGLE FOREIGN SOURCE OR FROM CONTINUING ARRANGEMENTS WITH FOREIGN PUBLISHERS.

M. MR. CULLEN REJECTED SUGGESTIONS THAT THE GOVERNMENT WOULD EFFECTIVELY CONTROL SUBJECT MATTER IN MAGAZINES. 'ACCUSATION OF CENSORSHIP BY TAXATION ARE BASED ON A TOTALLY FALSE CONCEPT ...', HE SAID. 'IN FACT, A PERIODICAL WHICH CONTAINS NOT A SINGLE STORY BY OR ABOUTS CANADIANS COULD QUALIFY FOR ADVERTISERS' TAX BENEFITS. ...'

N. THE REGULATION IS NOT A CANADIAN CONTENT RULE BUT A RESTRICTION AGAINST THE DUMPING OF FOREIGN EDITORIAL MATERIAL INTO DOMESTIC PUBLICATIONS, HE SAID.

O. HE DENIED TIME CANADA PRESIDENT STEPHEN LARUE'S STATEMENT THAT THE COMPANY WAS TOLD BY REVENUE DEPARTMENT OFFICIALS THAT A 51-PERCENT CONTENT DIFFERENCE WOULD SUFFICE. OFFICIALS CONSULTED WITH BOTH TIME AND READERS' DIGEST BUT MADE 'NO COMMITMENT AT ALL,' HE SAID. END QUOTE.

3. NOVEMBER 24 SESSION: BEGIN QUOTE.

A. TIME MAGAZINE CAME UNDER ATTACK BY LIBERAL MEMBERS OF COMMONS BROADCASTING COMMITTEE MONDAY AFTER TIME UNCLASSIFIED

UNCLASSIFIED

PAGE 04 OTTAWA 04416 01 OF 02 252330Z

CANADA PRESIDENT STEPHEN S. LARUE APPEALED FOR A ONE-YEAR DELAY IN TAX LEGISLATION AND 'A FAIR CHANCE' TO QUALIFY FOR CANADIAN TAX STATUS.

B. THE LIBERAL MAJORITY ON THE 20-MEMBER COMMITTEE CHALLENGED MR. LARUE'S COMPLAINTS OF UNFAIR TREATMENT AND TOLD HIM THE U.S.-OWNED COMPANY SHOULD HAVE ACTED EARLIER TO MAKE ITS DOMESTIC EDITION CANADIAN.

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PAGE 01 OTTAWA 04416 02 OF 02 252345Z

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UNCLAS SECTION 2 OF 2 OTTAWA 4416

C. THE ONLY SYMPATHY MR. LARUE RECEIVED FROM LIBERAL
QUARTERS CAME FROM BACKBENCHER SIMMA HOLT (VANCOUVER-
KINGSWAY) WHO SAID THE PROPOSED TAX LEGISLATION
WOULD DRIVE TIME OUT OF THE COUNTRY AND LEAVE CANADIANS
WITH THE TOKENISM OF MACLEAN'S, A TORONTO-BASED TWICE-
MONTHLY MAGAZINE.

D. MR. LARUE SAID IN TWO-AND-A-HALF HOUR OF TESTIMONY THAT
TIME CANADA LTD. NEEDED A ONE-YEAR DELAY IN THE JAN 1,
1976 IMPLEMENTATION DATE OF THE TAX LEGISLATION TO
CLARIFY AMBIGUITIES SURROUNDING MEASURES THE MAGAZINE
MUST TAKE TO QUALIFY AS CANADIAN AND TO LAY PLANS FOR
ITS TRANSFORMATION INTO AN "INDEPENDENT CANADIAN NEWS
MAGAZINE.'

E. HE ACCUSED SECRETARY OF STATE HUGH FAULKNER AND
REVENUE MINISTER BUD CULLEN OF USING UNFAIR TACTICS TO
HEAD OFF ANY ATTEMPTS BY TIME TU QUALITY AS CANADIAN-
OWNED UNDER THE LEGISLATION AND CONTINUE BENEFITTING
FROM THE ADVERTISER TAX DEDUCTIONS.

F. BOTH MINISTERS HAVE REFUSED CONSISTENTLY TO PROVIDE
THE COMPANY WITH A CLEAR STATEMENT OF HOW THE LAW
WILL BE INTERPRETED, HE SAID.

G. THE SAID THE 550,000-CIRCULATION EDITION FACES
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PAGE 02 OTTAWA 04416 02 OF 02 252345Z

THE PROSPECT OF GOING OUT OF BUSINESS IN JANUARY,

'NOT BECAUSE WE ARE UNWILLING TO COMPLY WITH THE LAW,
BUT BECAUSE WE HAVE BEEN UNABLE TO ASCERTAIN WITH
REASONABLE CERTAINTY WHAT THE LAW IS.'

H. THE APPEAL WON LITTLE SUPPORT FROM THE LIBERAL-
DOMINATED COMMITTEE WHICH RECEIVED THE TAX LEGISLATION
LAST WEEK AFTER IT WAS GIVEN SECOND READING IN THE
COMMONS UNDER GOVERNMENT-IMPOSED CLOSURE.

I. SEVERAL MEMBERS WANTED TO KNOW WHY TIME, WHICH HAS
BEEN OPERATING IN THE COUNTRY FOR 32 YEARS, HAD NOT
ACTED EARLIER TO EXPAND ITS FIVE-TO-SEVEN-PAGE WEEKLY
CANADIAN SECTION.

J. THE TIME EXECUTIVES SAID THE GOVERNMENT IGNORED
REQUESTS FOR A CONCISE STATEMENT ON CONTROVERSIAL
CONTENT REQUIREMENTS MAGAZINES WILL HAVE TO MEET TO
QUALIFY FOR THE ADVERTISER TAX DEDUCTIONS.

K. THE COMPANY IS PREPARED TO SELL 75 PERCENT
OWNERSHIPS TO CANADIANS AND EDIT AND PUBLISH AN
EXPANDED CANADIAN MAGAZINE WITHIN THE COUNTRY, MR. LARUE
SAID. BUT IT CANNOT ACCEPT A REQUIREMENT THAT IT BE
AT LEAST 80 PERCENT DIFFERENT IN CONTENT FROM FOREIGN
EDITIONS.

L. TIME'S OWN VIEW, FOLLOWING TALKS WITH REVENUE
DEPARTMENT OFFICIALS AT WHICH NO FORMAL COMMITMENTS
WERE MADE, IS THAT A 50 PERCENT CONTENT DIFFERENCE
SHOULD SUFFICE, MR. LARUE SAID.

M. HE CHARGED THAT MR. CULLEN, WHO ANNOUNCED THE
80 PERCENT FIGURE IN AN OCT 23 NEWS RELEASE, WAS
STATING GOVERNMENT POLICY RATHER THAN INTERPRETING
THE LAW. END QUOTE.

4. NOVEMBER 25 SESSION: BEGIN QUOTE.

A. LEGISLATION BARRING TAX DEDUCTIONS FOR
THE COST OF ADVERTISING IN FOREIGN-OWNED
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PAGE 03 OTTAWA 04416 02 OF 02 252345Z

MAGAZINES EVENTUALLY WILL DESTROY THE DOMESTIC
MAGAZINE INDUSTRY, READERS' DIGEST PRESIDENT
PAUL ZIMMERMAN OF MONTREAL TOLD THE COMMONS
BROADCASTING COMMITTEE TODAY. MR. ZIMMERMAN
SAID THE LEGISLATION IS THE RESULT OF 'A FLOWING
TIDE OF EXTREME NATIONALISM' AND WILL ONLY
DETRACT FROM THE OVER-ALL FINANCIAL STABILITY
OF MAGAZINE PUBLISHING IN THE COUNTRY.

B. HE SAID THE U.S.-OWNED READERS' DIGEST WITH 1.5 MILLION MONTHLY SUBSCRIBERS TO ENGLISH AND FRENCH-LANGUAGE DOMESTIC EDITIONS REQUIREMENTS ACCOMPANYING THE LEGISLATION AND IS WARY OF A 75 PERCENT CANADIAN OWNERSHIP REQUIREMENT...

C. MR. ZIMMERMAN SAID THE LEGISLATION WOULD DESTROY THE ADVERTISING REVENUE BASE OF READER'S DIGEST WITHOUT PROVIDING ANY REAL ASSISTANCE TO THE MAGAZINE INDUSTRY. ADVERTISING DOLLARS WOULD FLOW TO TELEVISION, NEWSPAPERS AND OTHER OUTLETS OR WOULD NOT BE SPENT AT ALL, HE SAID.

D. HE SAID THAT IS NO PROOF THAT ADVERTISING MONEY SPENT AT READERS' DIGEST AUTOMATICALLY WILL FLOW TO DOMESTICALLY-OWNED MAGAZINES. 'THE ONLY BENEFICIARY WOULD BE THE CANADIAN GOVERNMENT THROUGH TAXATION ON ADVERTISERS WHO REMAINED WITH READERS' DIGEST,' HE SAID.

E. IF THE LEGISLATION IS PASSED IT WILL 'BECOME PART OF A FORCE THAT WILL SET IN MOTION THE EVENTUAL DESTRUCTION OF THE INDUSTRY AND CONTRIBUTE TO THE RAPID AND CONCEIVABLY IRREVERSIBLE DECLINE OF MY COMPANY WHICH HAS MORE THAN THREE DECADES OF HONORABLE CORPORATE HISTORY IN CANADA.' ... END QUOTE.
JOHNSON

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